



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

MONETARY POLICY AND MACROECONOMIC OUTLOOK

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Governor

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GAZİANTEP



We have strong communication with the real sector.

We have interviewed firms from a variety of sectors and of different scales since 2013.

Across Gaziantep and neighboring provinces, we have interviewed **457** firms in 2025, totaling **2,585** firms over the last five years.



We employ the **insightful and timely information** we obtain in decision-making processes.



We obtain information on **structural problems** in addition to cyclical developments.



We **share** the expectations and suggestions of the real sector **with relevant public institutions**.



We have **two-way communication** with the representatives of the real sector.

Institutions Visited

**2025
Q1**

- Eskişehir Chamber of Industry
- Eskişehir Chamber of Commerce
- Uşak Chamber of Commerce and Industry
- Denizli Chamber of Industry
- Denizli Chamber of Commerce
- German-Turkish Chamber of Commerce and Industry

**2025
Q2**

- YISAD Flat Steel Conference

**2025
Q3**

- Kayseri Chamber of Industry
- Kayseri Chamber of Commerce
- Ankara Chamber of Industry
- Ankara Chamber of Commerce
- Union of Chambers and Commodity Exchanges of Türkiye (TOBB)
- Bursa Chamber of Commerce and Industry

**2025
Q4**

- Kocaeli Chamber of Industry
- Kocaeli Chamber of Commerce
- Turkish Chamber of Shipping (TCS)
- MUSIAD
- TUSIAD

**2026
JAN.**

- Türkiye Exporters Assembly
- Gaziantep Chamber of Industry
- Gaziantep Chamber of Commerce

Overview

1 Reserves

Rose by
USD 145+
billion

2 KKM

Balance almost zero,
down from **USD 143**
billion.

3 Inflation

- We value the progress we have made in achieving price stability.
- Both short-term indicators and the medium-term outlook indicate that disinflation is ongoing and will continue.
- We will maintain the tight monetary policy stance to permanently anchor expectations.

4 Real Economy

The ongoing economic growth is accompanied by the improvement in expectations and the decline in risk premium, while sectoral transformation becomes evident.

5 Price Stability

Price stability will ensure a **lasting** and widespread **increase in welfare.**

Outline

Key Discussion Points

- **What is bringing inflation down?**
- **How do market rates decline?**
- **Which factors affect exports?**
- **Why is price stability important?**

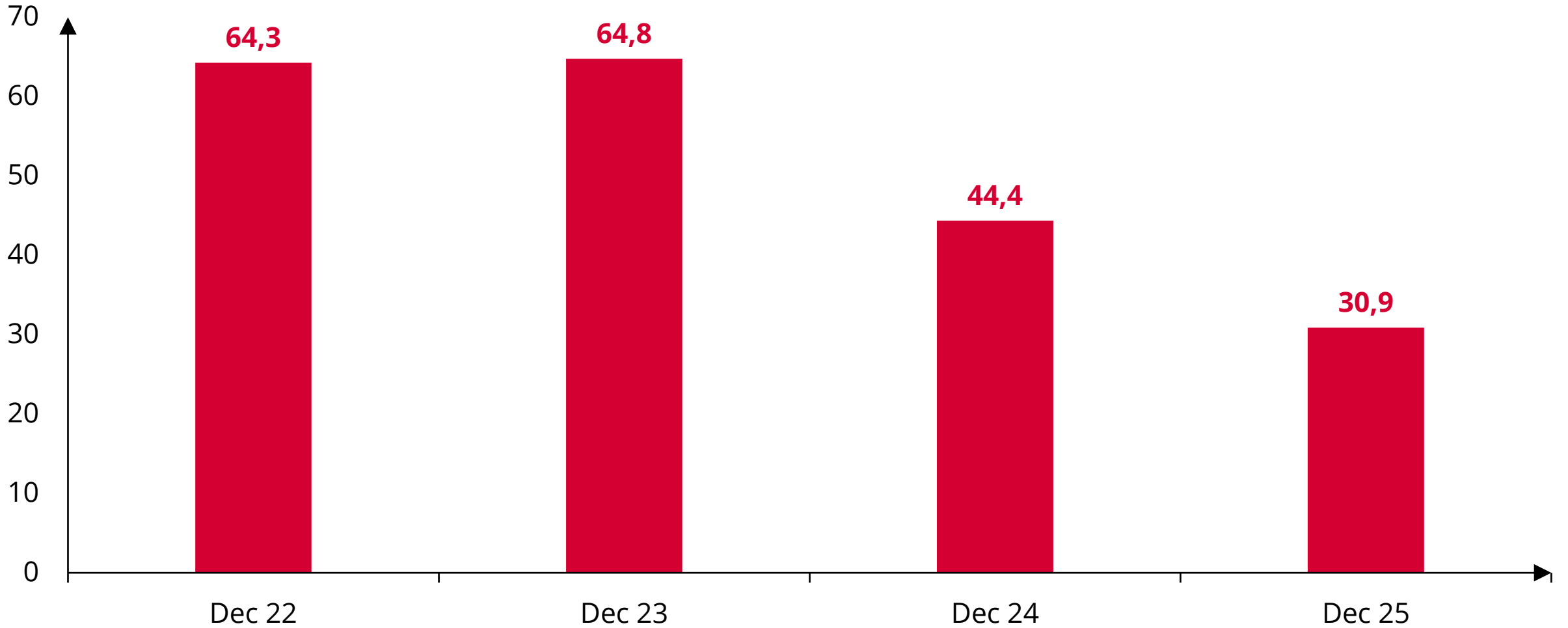
1

What is bringing inflation down?

- Moderation in demand
- Normalization in pricing behavior
- Improvement in expectations

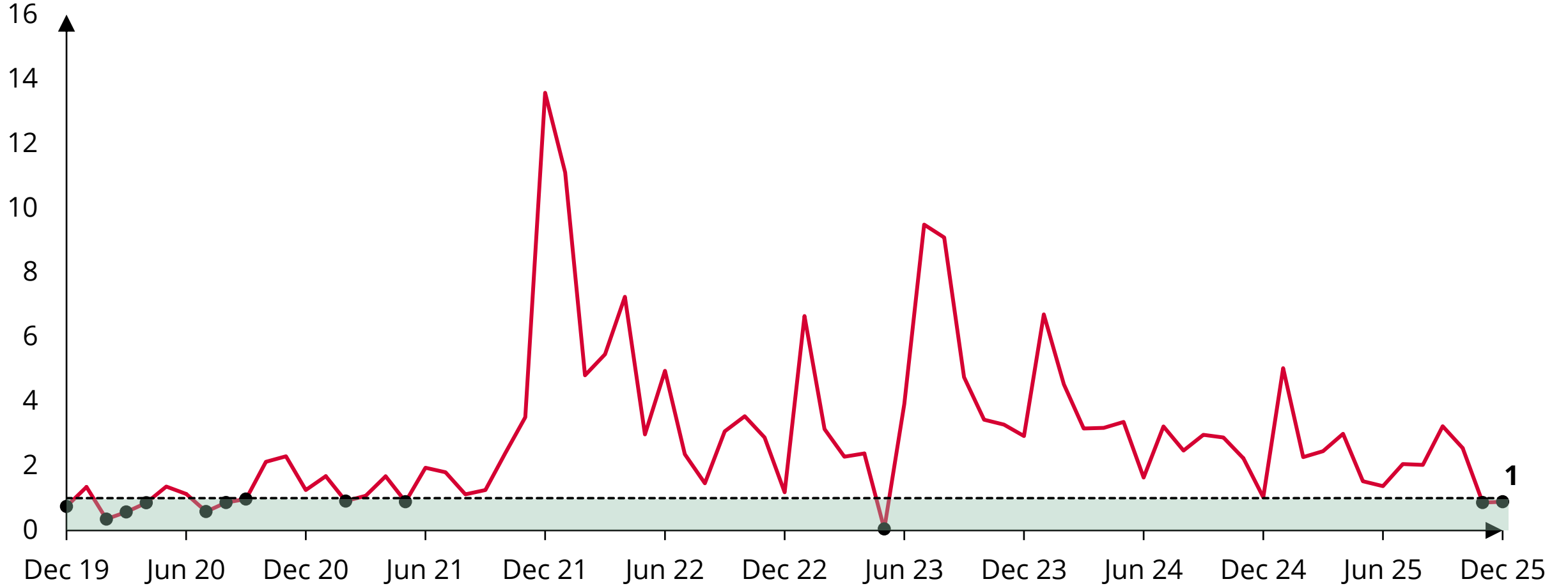
There has been a significant decline in inflation.

Year-End Inflation (Annual % Change)



For the first time in 63 months, inflation was below 1% for two consecutive months.

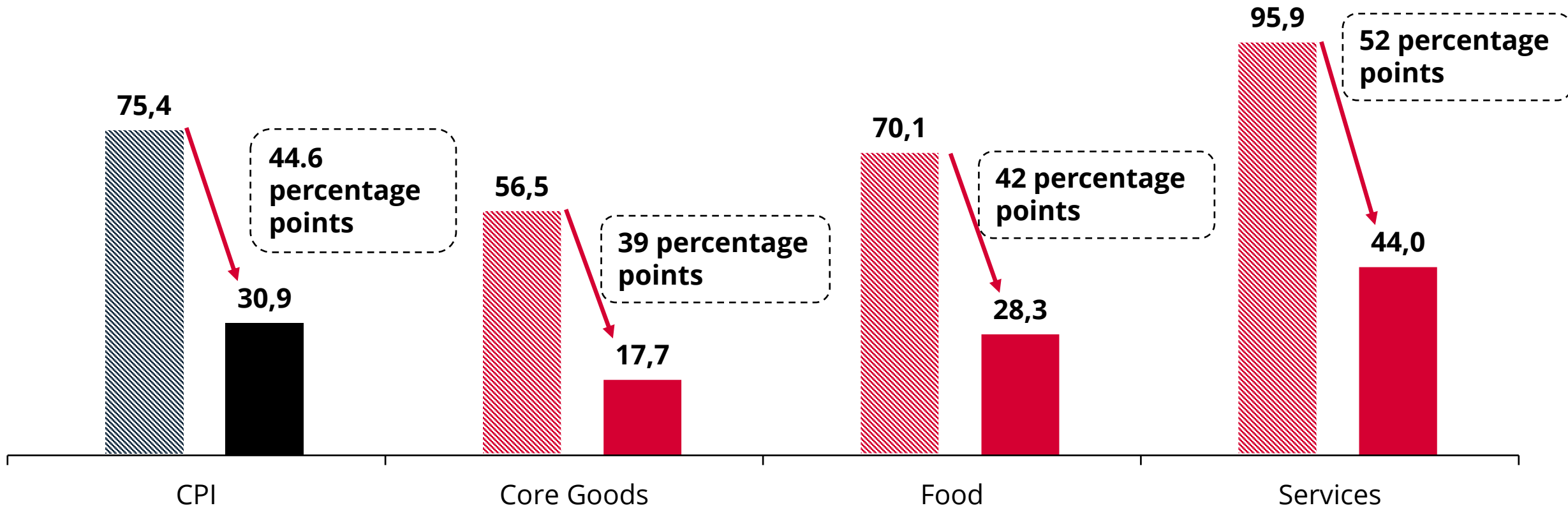
Inflation (Monthly, %)



Inflation has fallen across the board since May 2024.

CPI Subitems (Annual % Change)

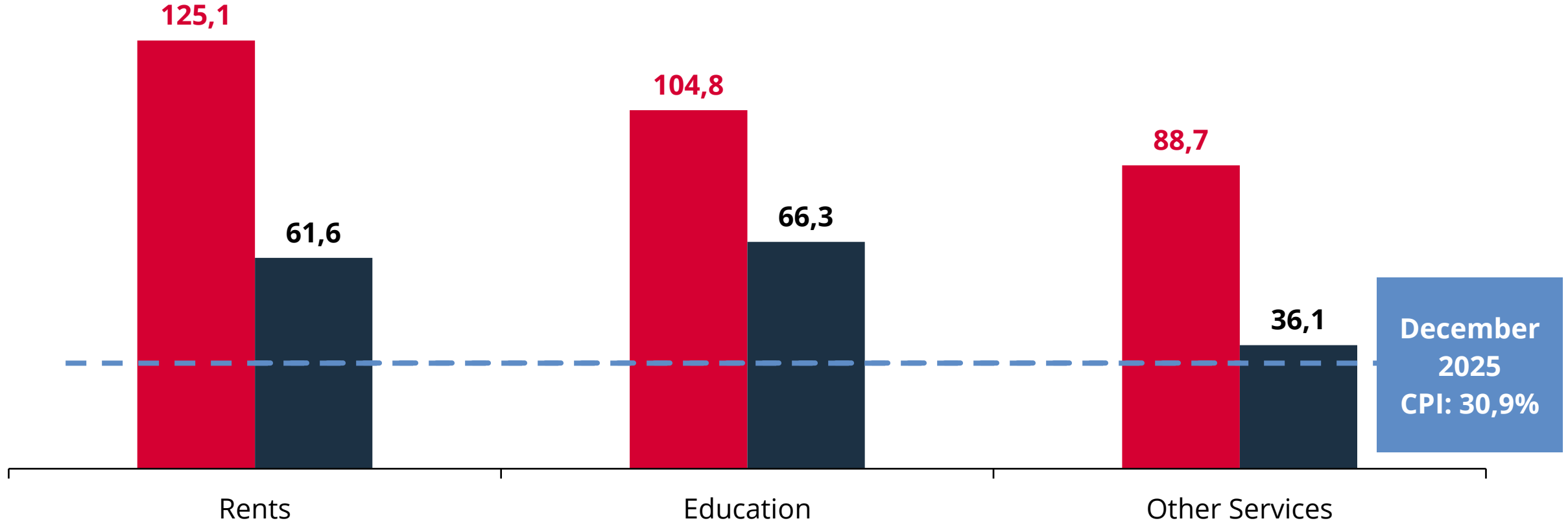
▨ May 2024 ■ December 2025



Rents and education drive services inflation up.

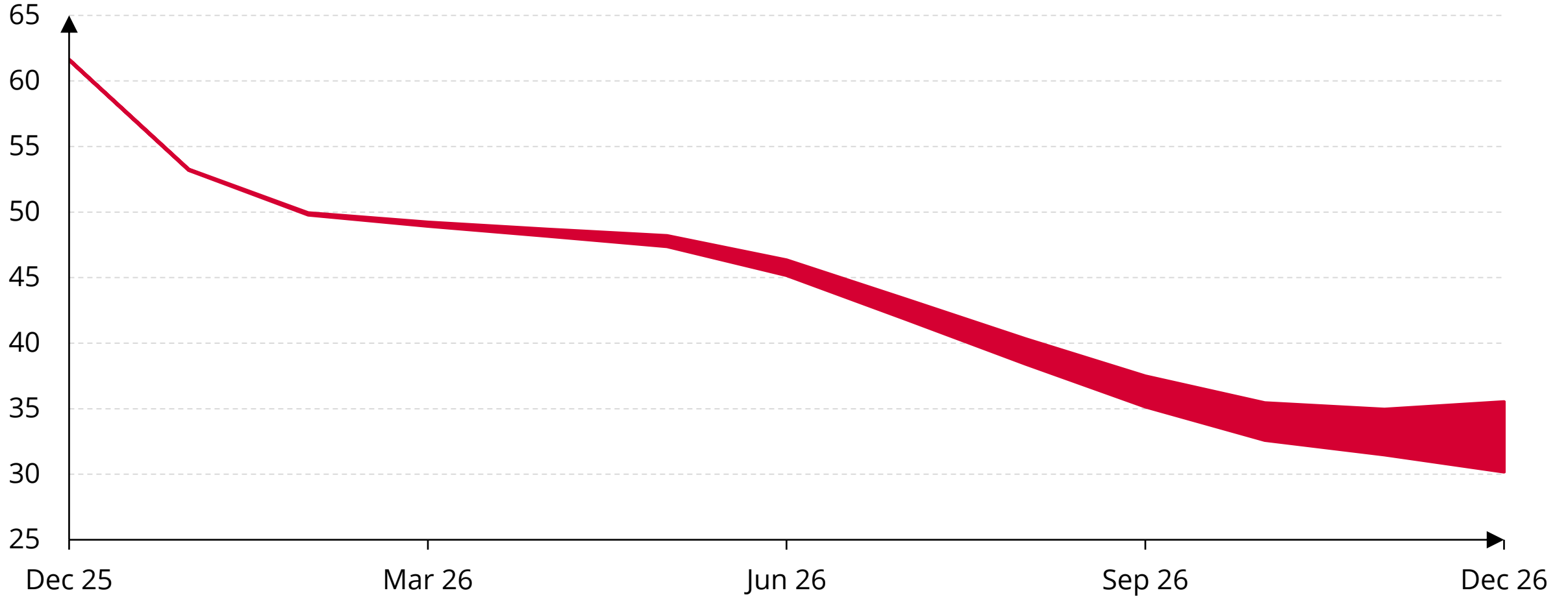
Services Subitems (Annual % Change)

■ May 2024 ■ December 2025



Lower inertia in services will support disinflation in 2026.

Rent Inflation Projection* (Annual % Change)

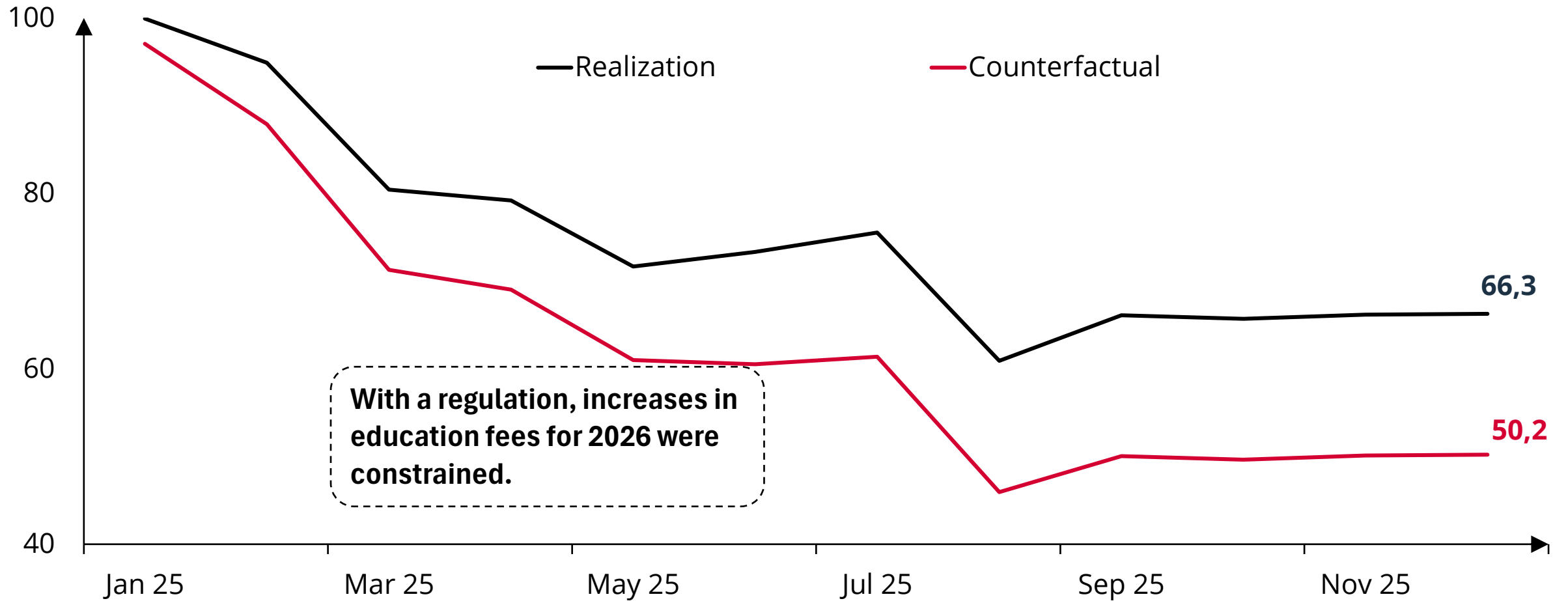


Sources: TURKSTAT, CBRT.

*Shaded area denotes the model-based projections of actual rent inflation for two different scenarios assuming that market rents are at the headline inflation level and follow an AR(1) process.

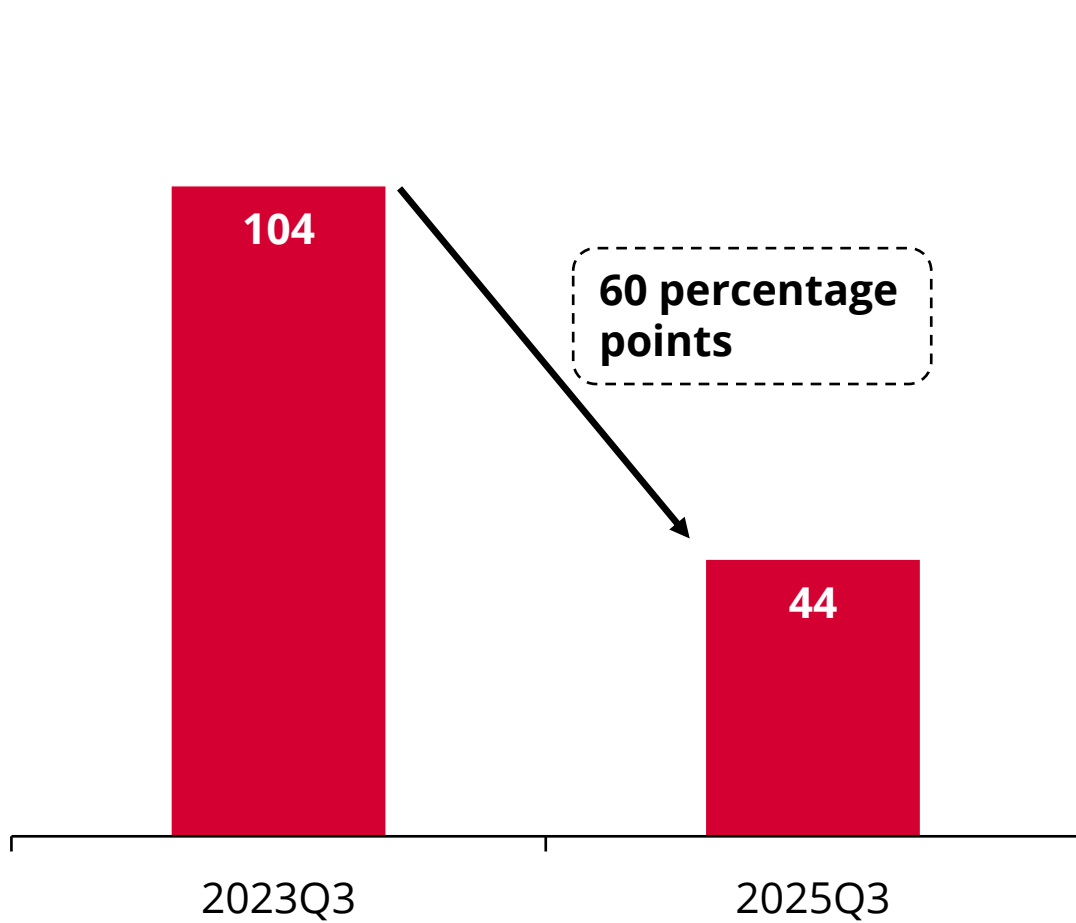
Lower inertia in services will support disinflation in 2026.

Education Inflation (Annual, %)

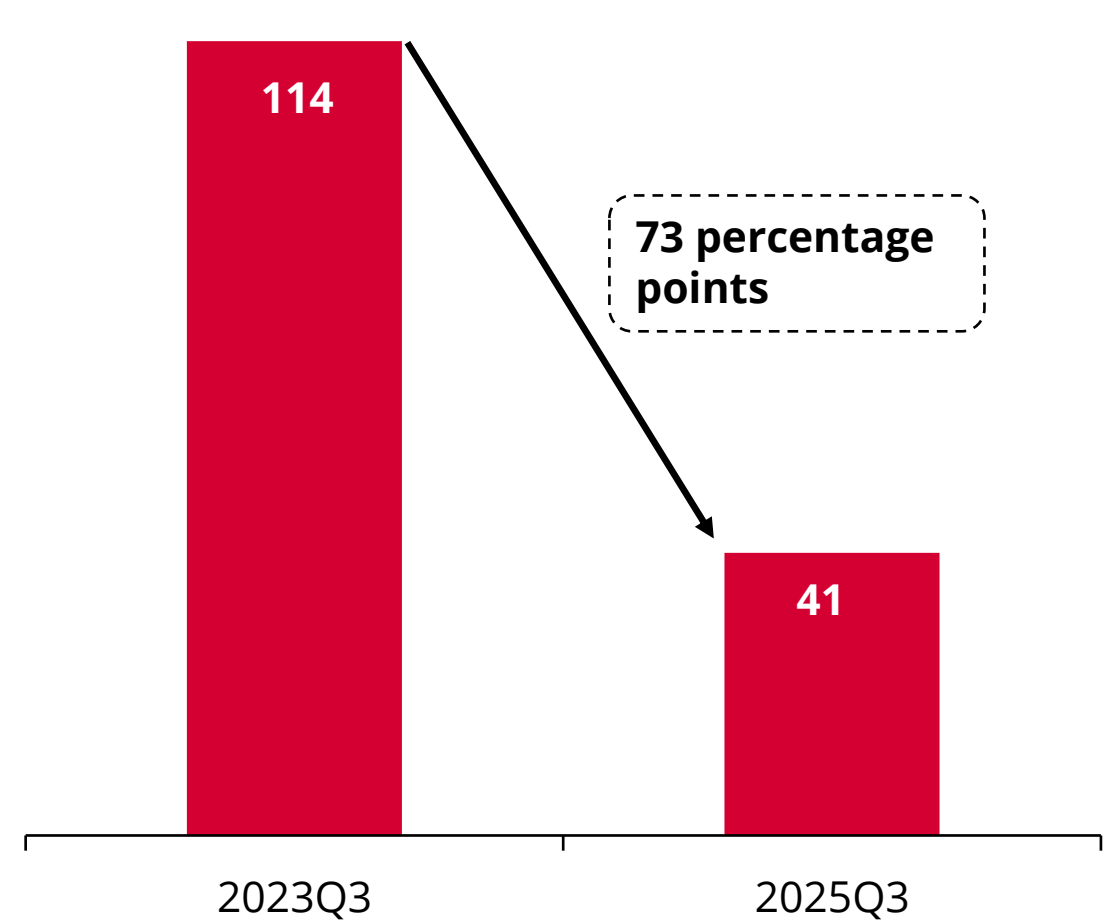


The decline in commercial rent inflation is easing cost pressures.

Increase in Shop Rents (Annual % Change)

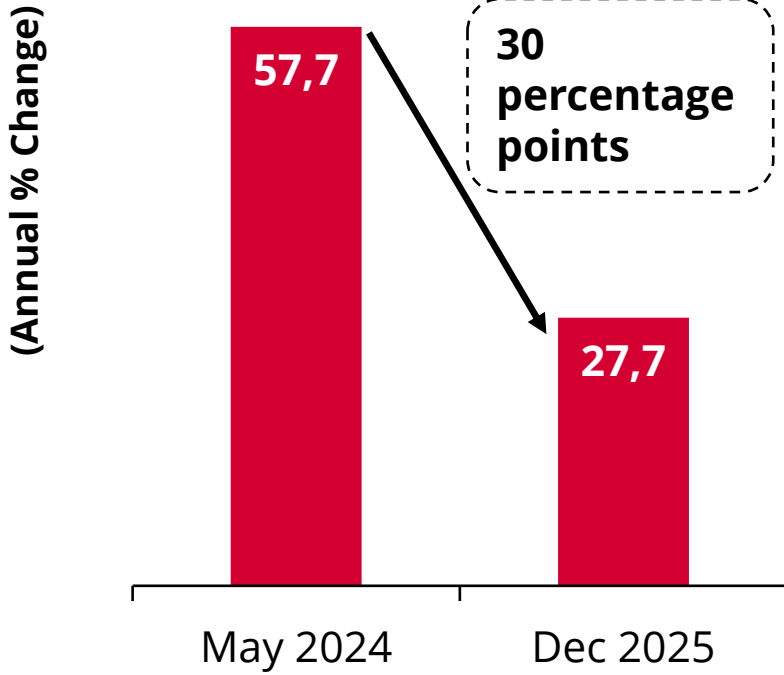


Increase in Office Rents (Annual % Change)

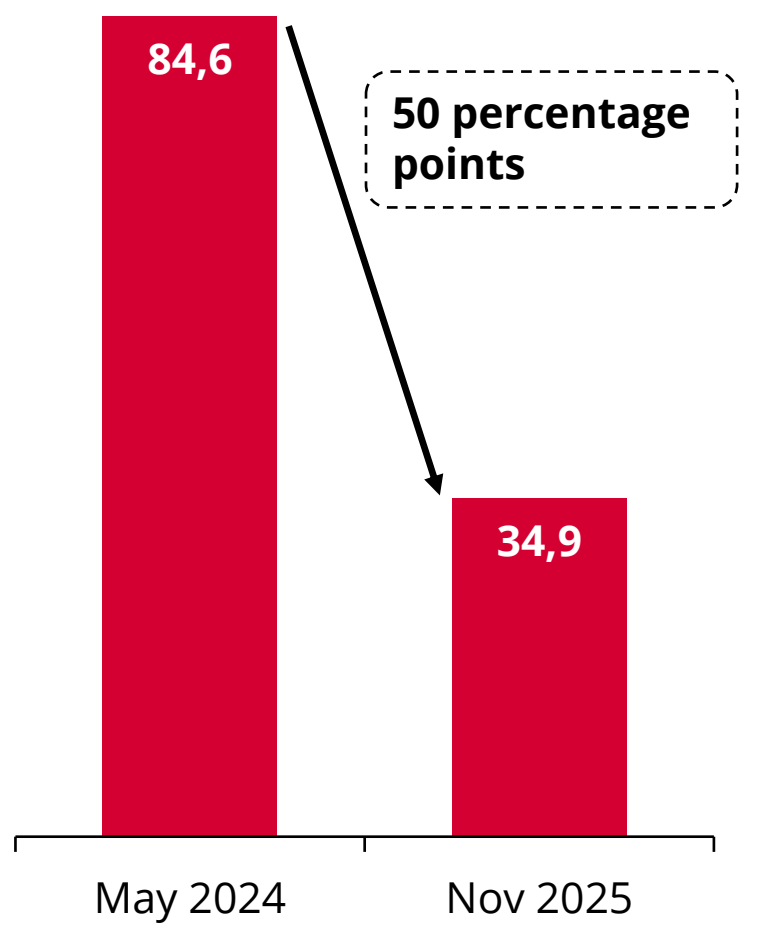


Cost pressures are easing.

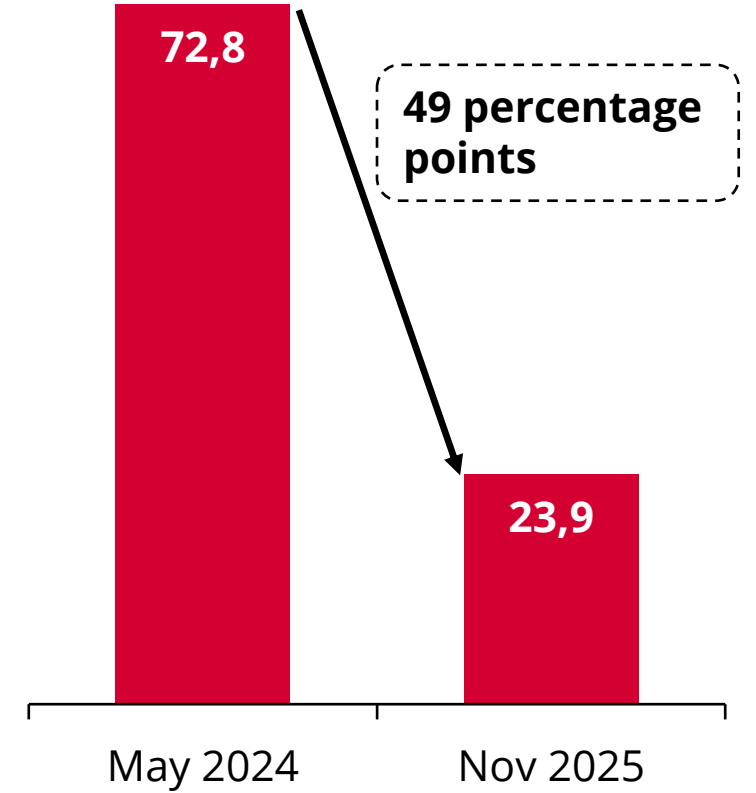
Domestic Producer Price Index (PPI)



Services Producer Price Index

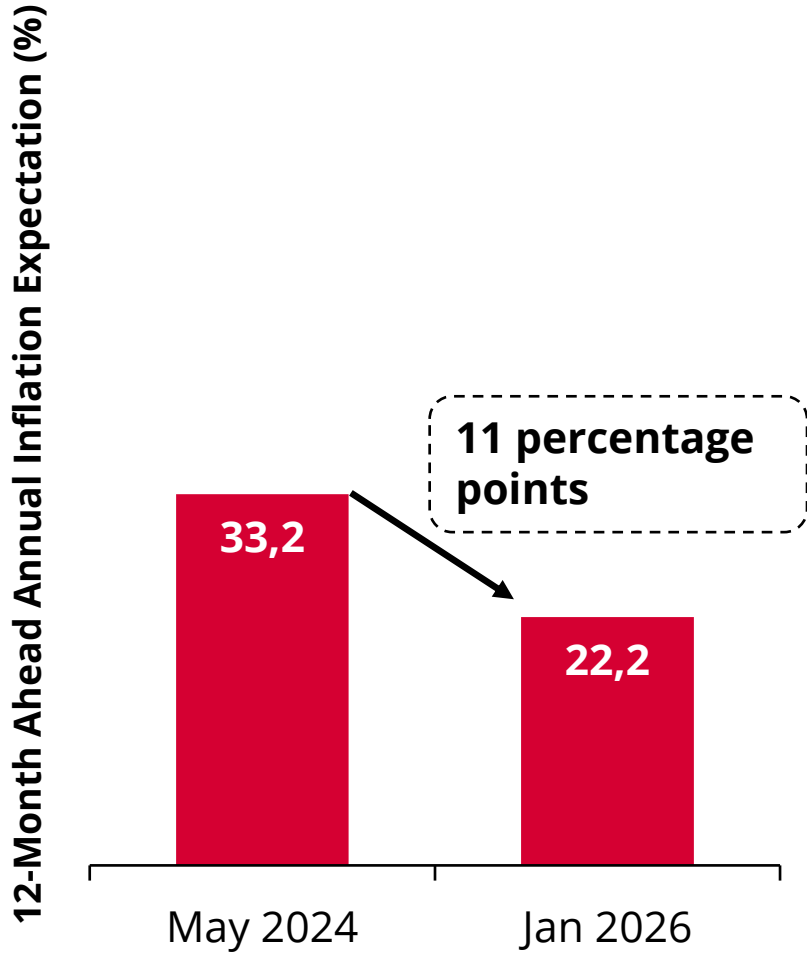


Construction Cost Index

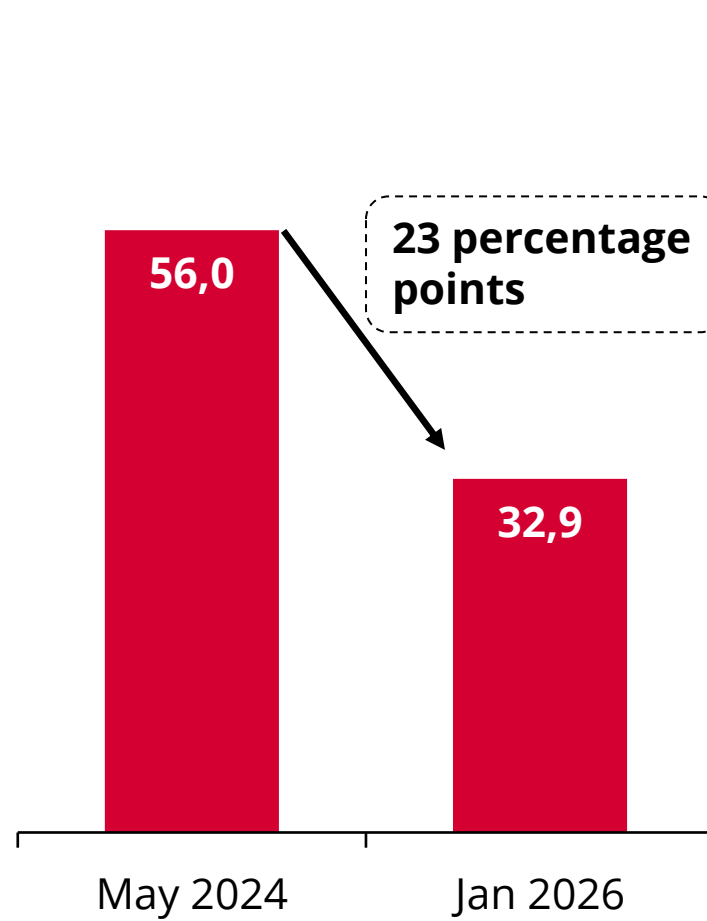


Inflation expectations of consumers and firms are also on the decline.

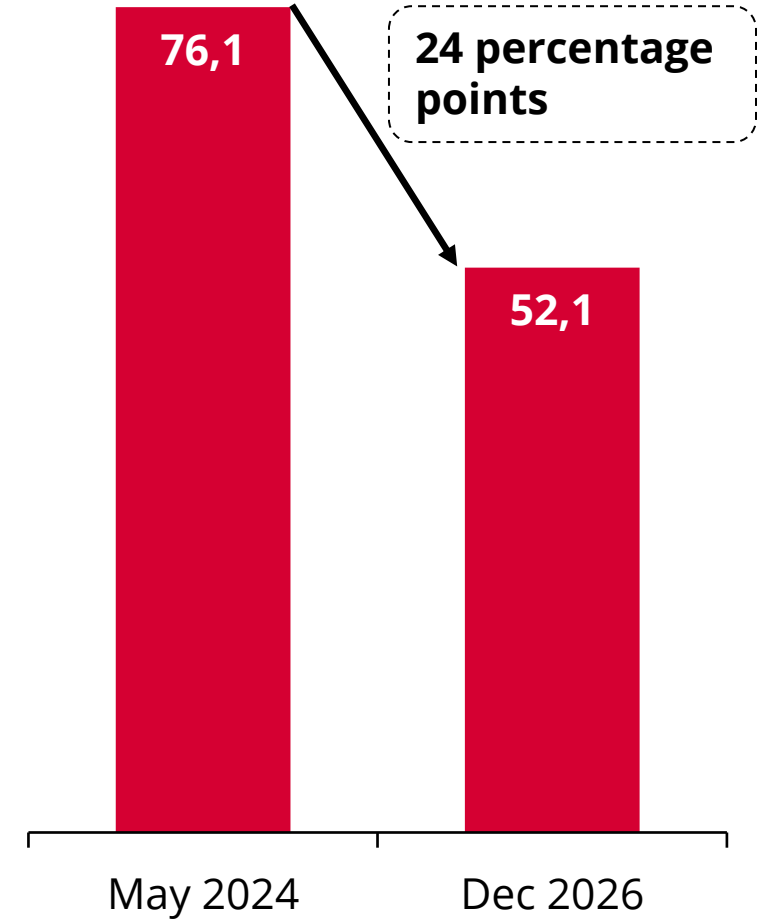
Market Participants



Real Sector



Households

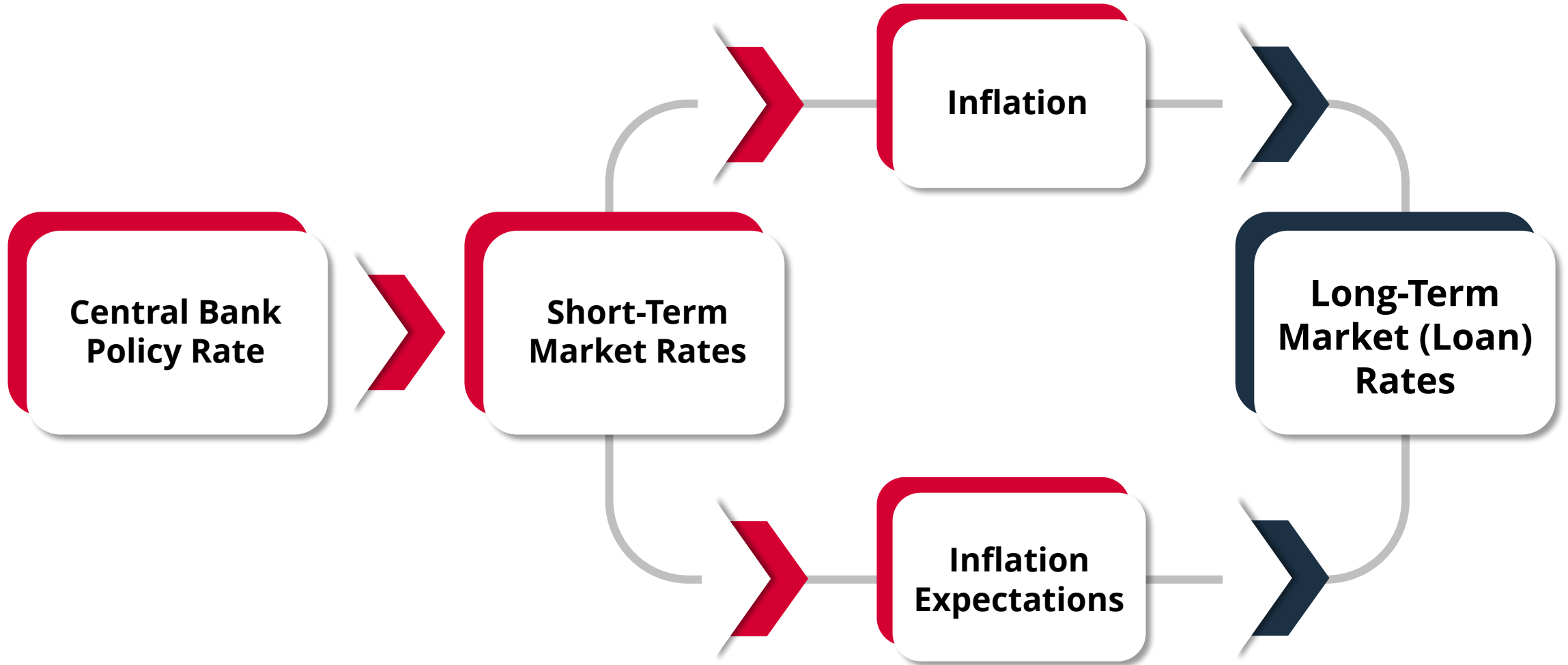


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How do market rates decline?

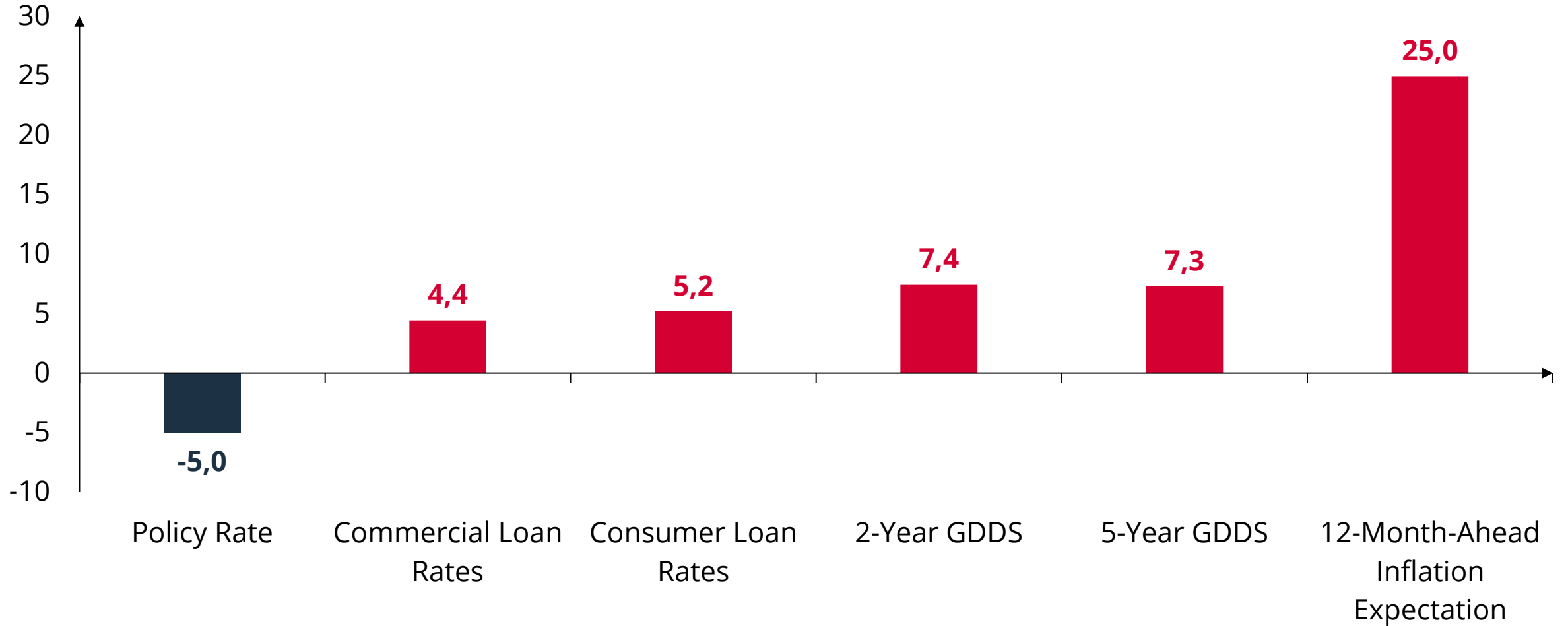
- Inflation
- Inflation expectations
- Risk premium

Loan rates are affected by inflation and inflation expectations.



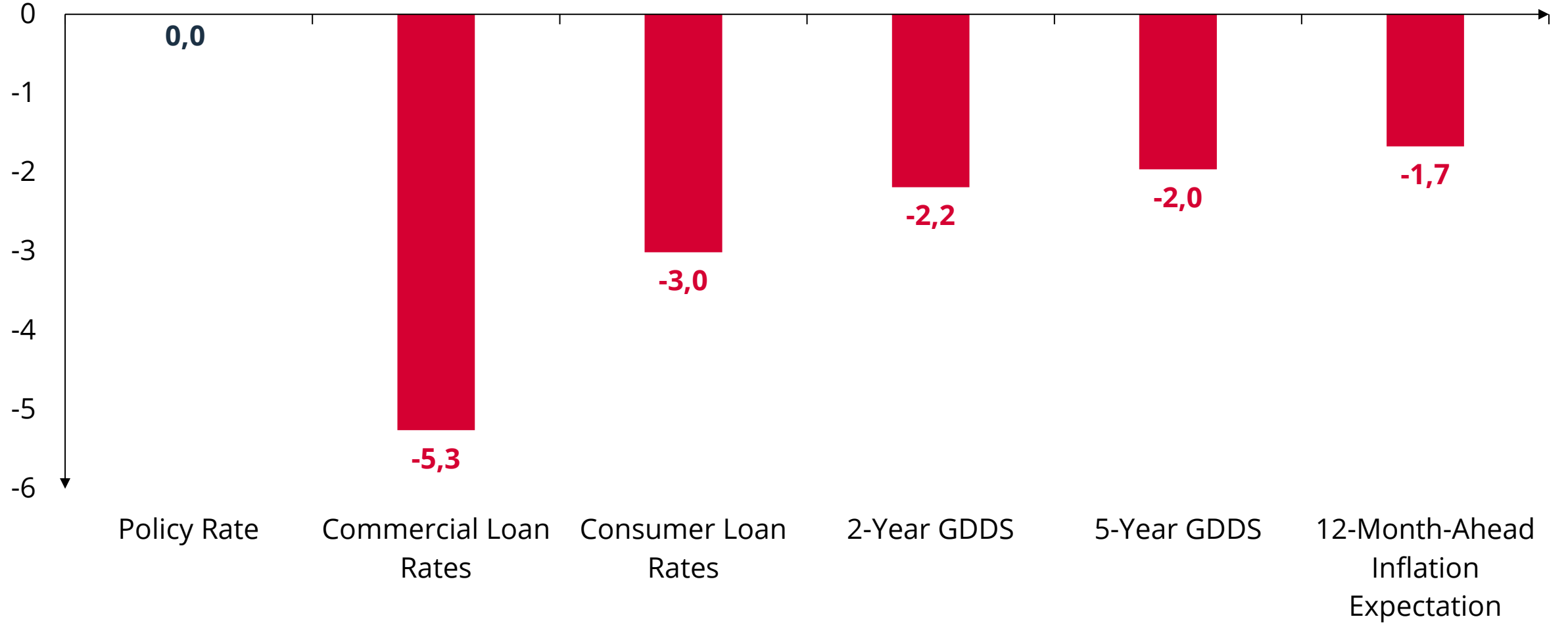
Rate cuts are effective only when inflation is under control.

Policy Rate, Loan and Bond Rates, Inflation Expectation* (Change over September 2021–June 2022, %)



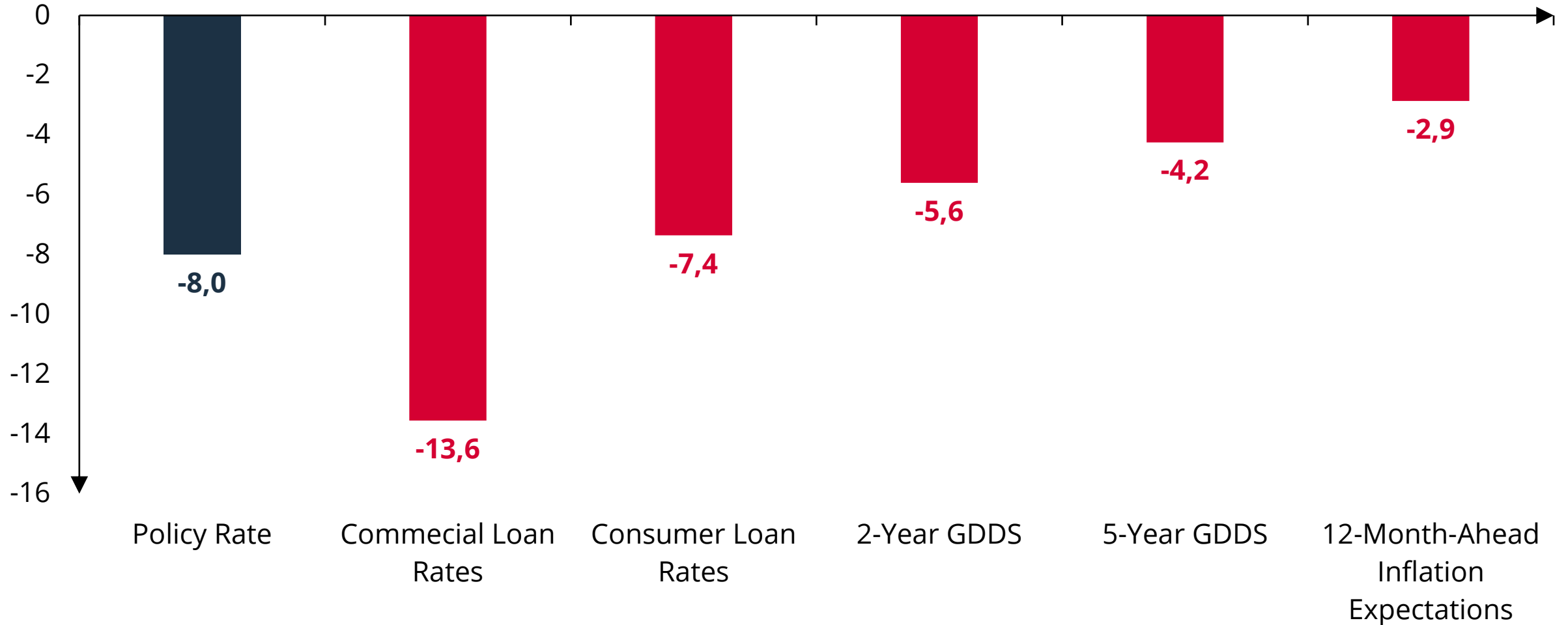
Loan and bond rates fall as inflation expectations improve.

Policy Rate, Loan and Bond Rates, Inflation Expectation (Change over June 2025 – July 2025, %)



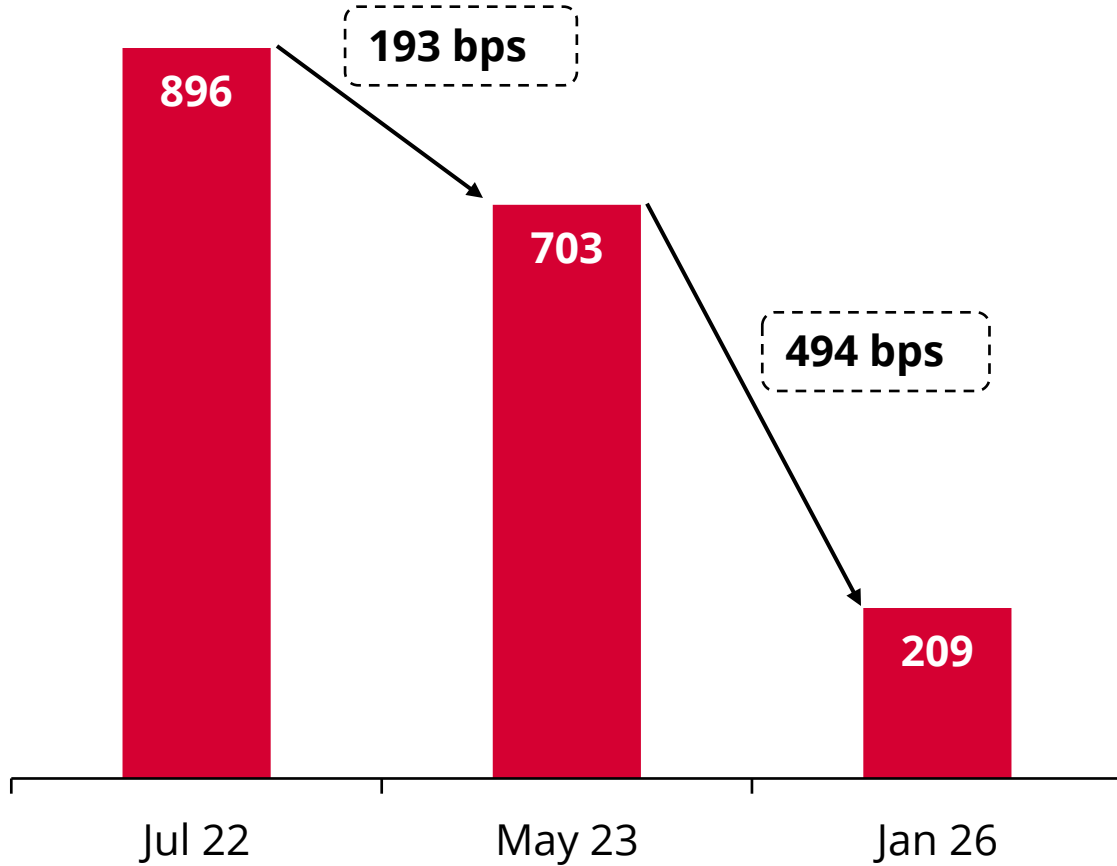
The decline in the policy rate is reflected in market rates.

Policy Rate, Loan and Bond Rates, Inflation Expectation (Change over June 2025–January 2026, %)

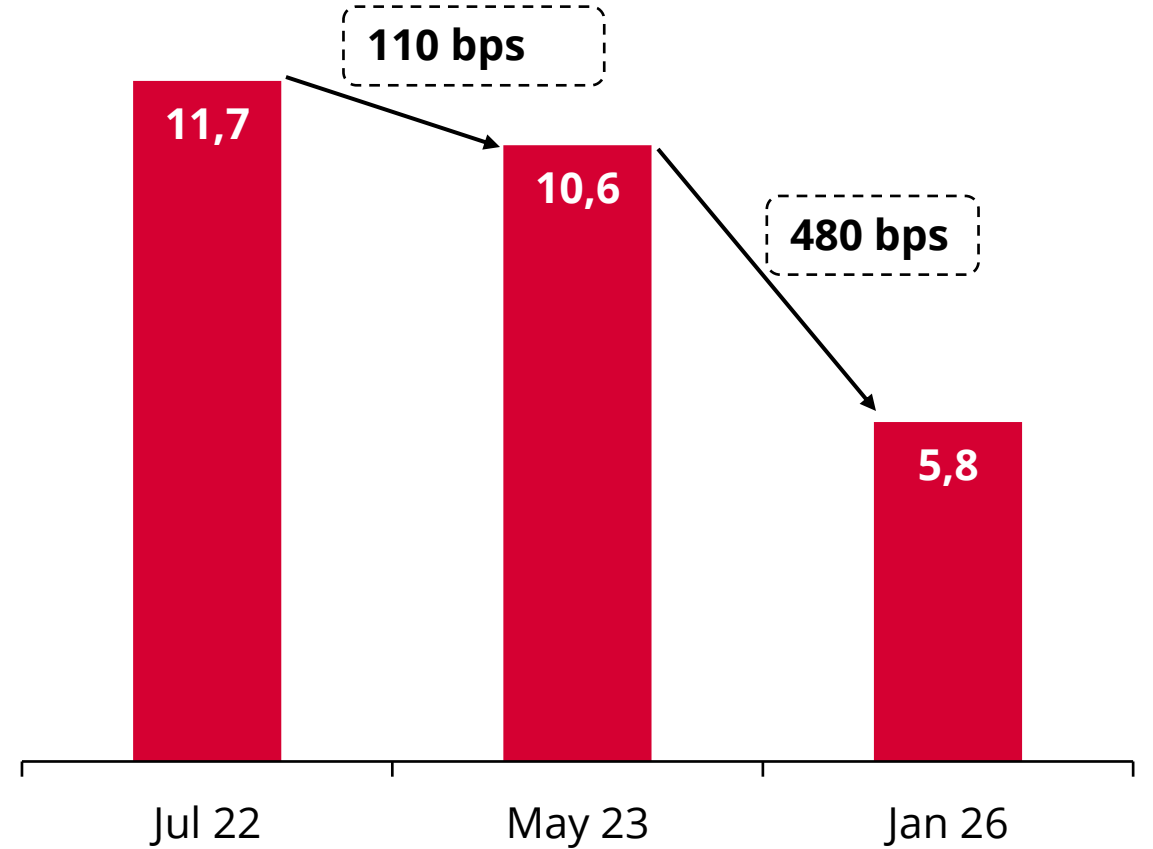


The decline in risk premium has lowered FX interest rates.

CDS
(Basis Point)



USD bond yield
(5-year, %)

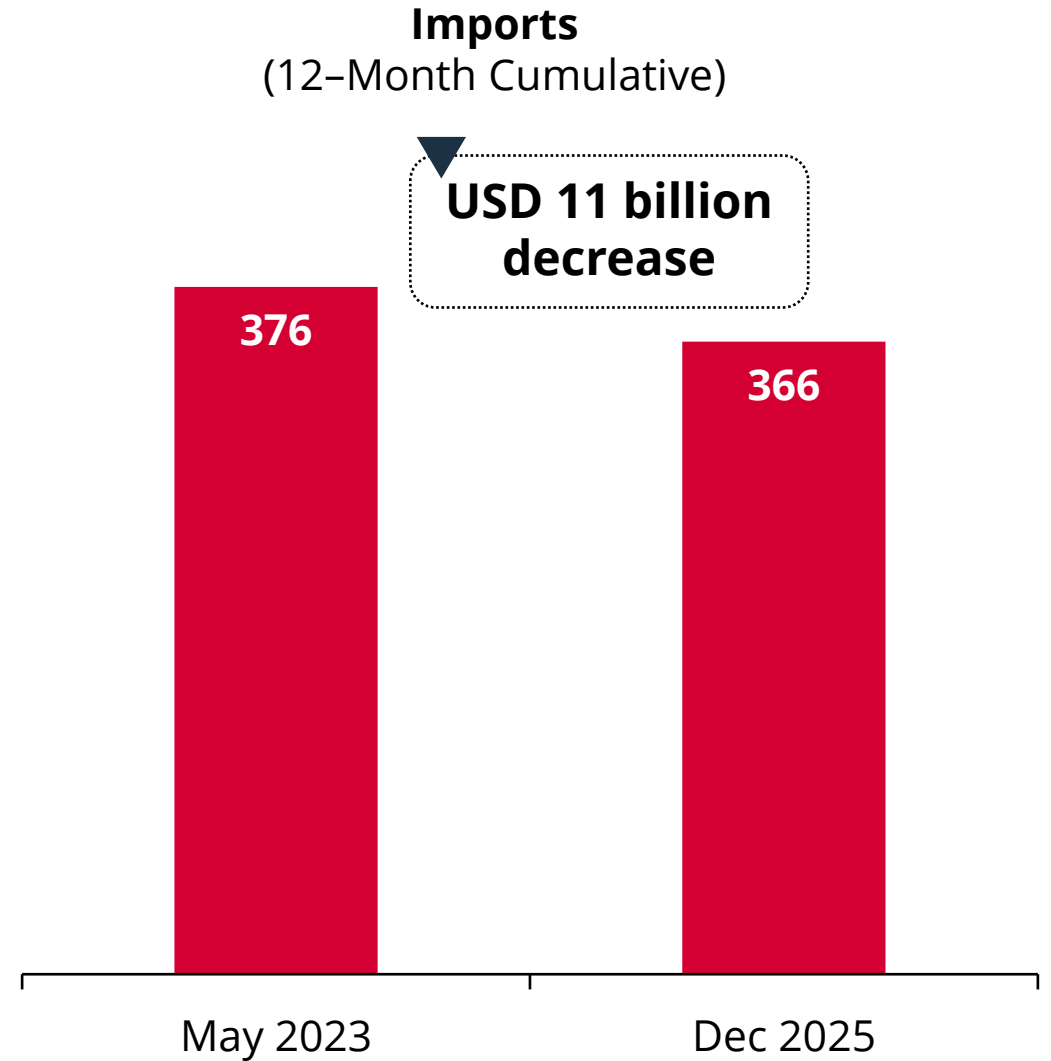
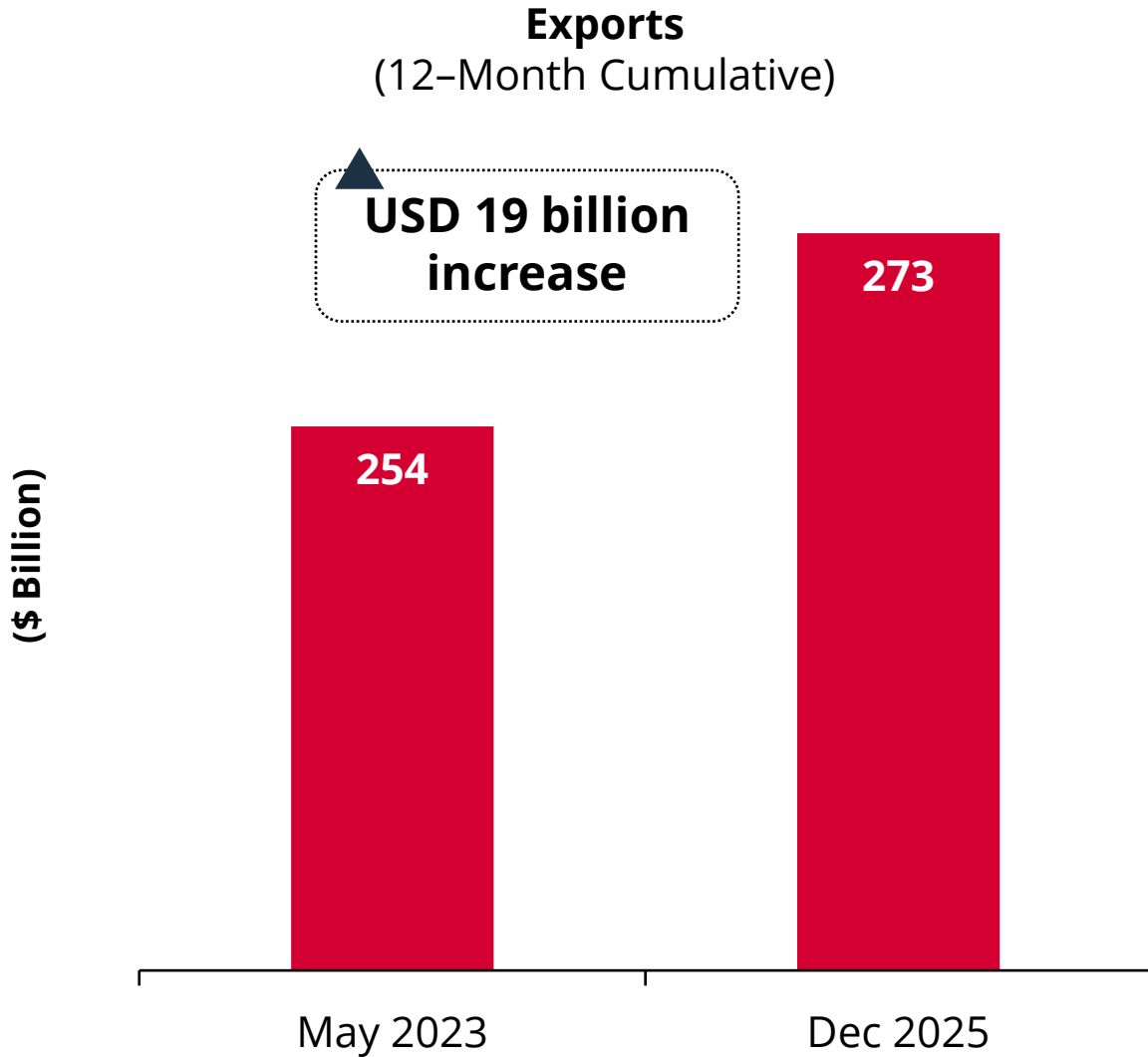


3

Which factors affect exports?

- External demand
- Relative prices
- Sectoral dynamics

Exports increased while imports decreased.



External demand developments are the key driver of exports.

When external demand increases by 1 percentage point, our exports grow by 2.3%.

2,3

When real exchange rate falls by %1, our exports grow by 0.2%.

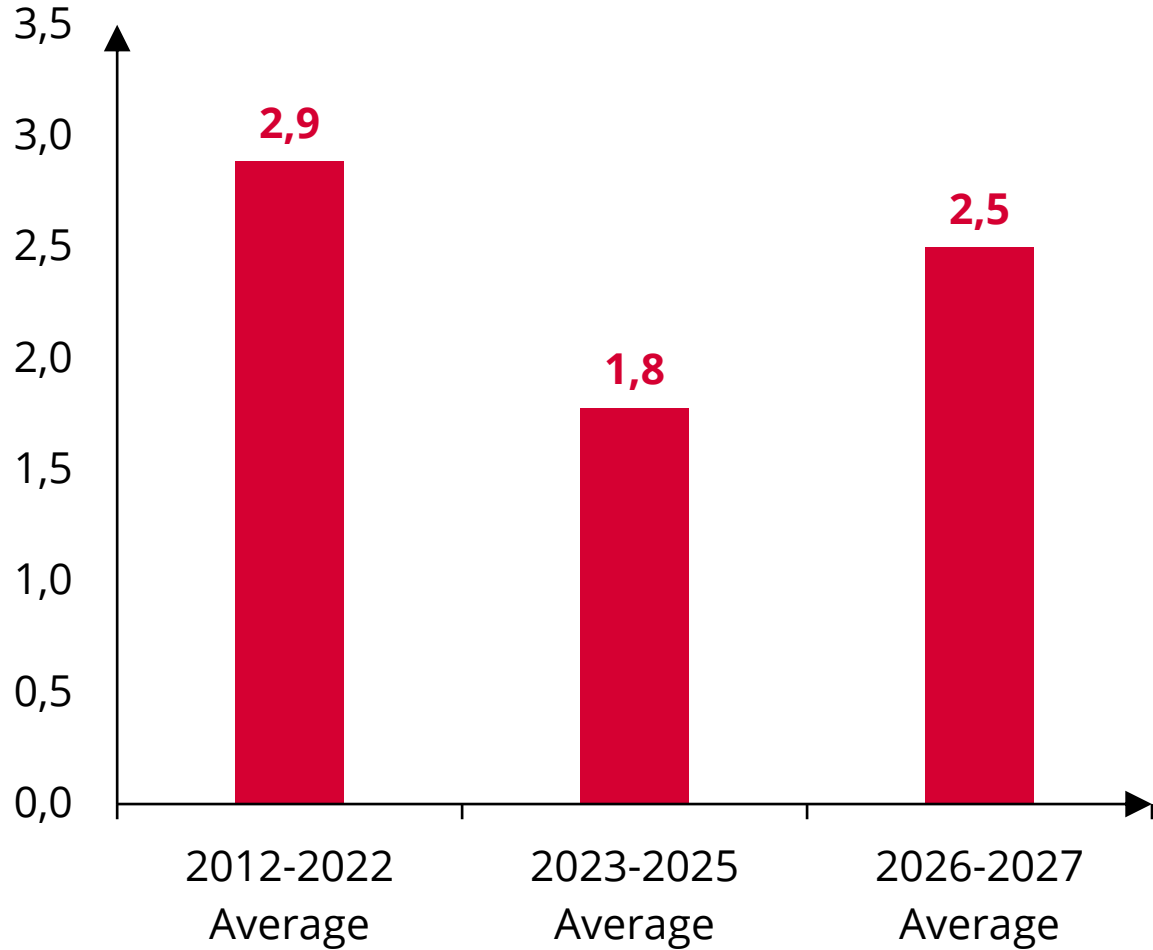
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External Demand Elasticity of Exports

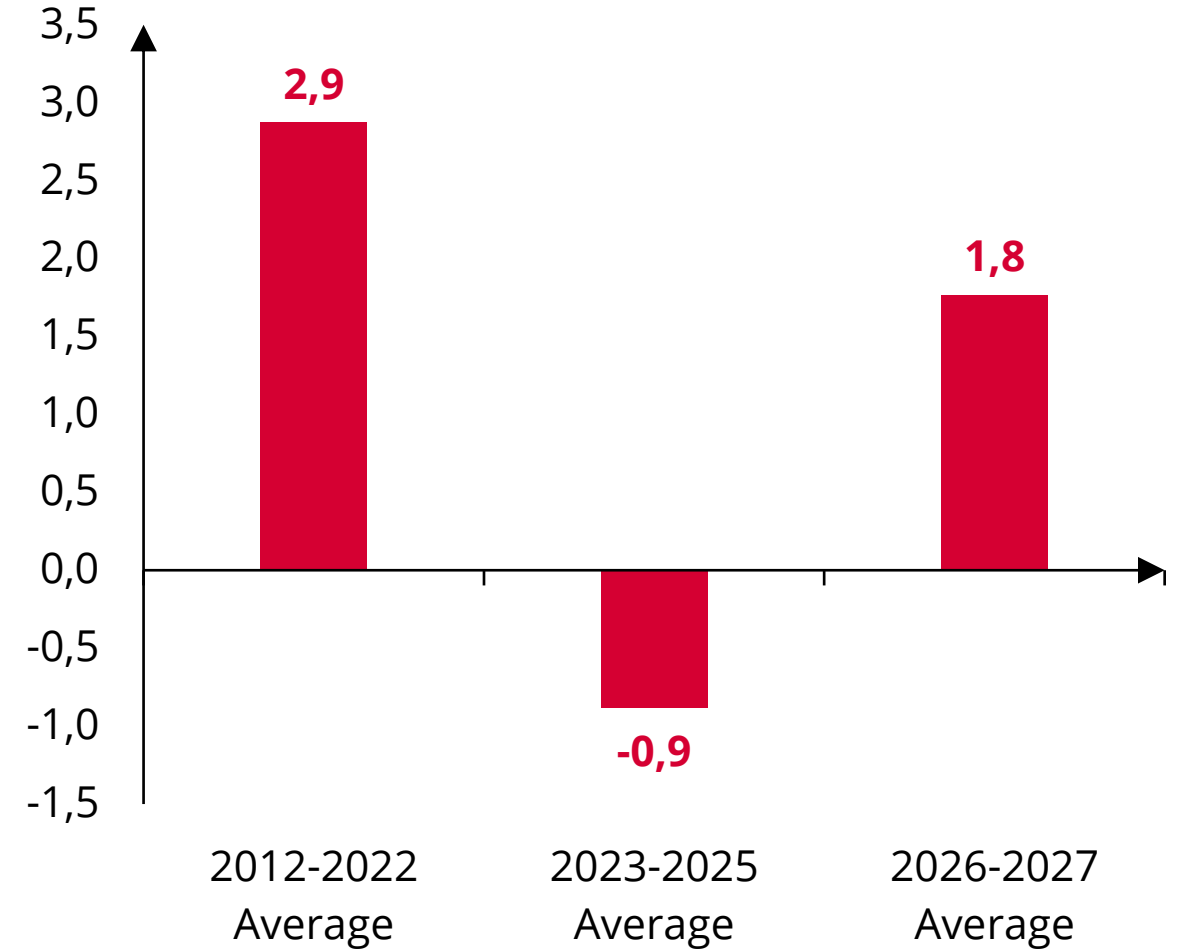
Real Exchange Rate Elasticity of Exports

Expectations for global growth and our main markets remain relatively favorable.

Global Goods Trade Growth (Growth, %)

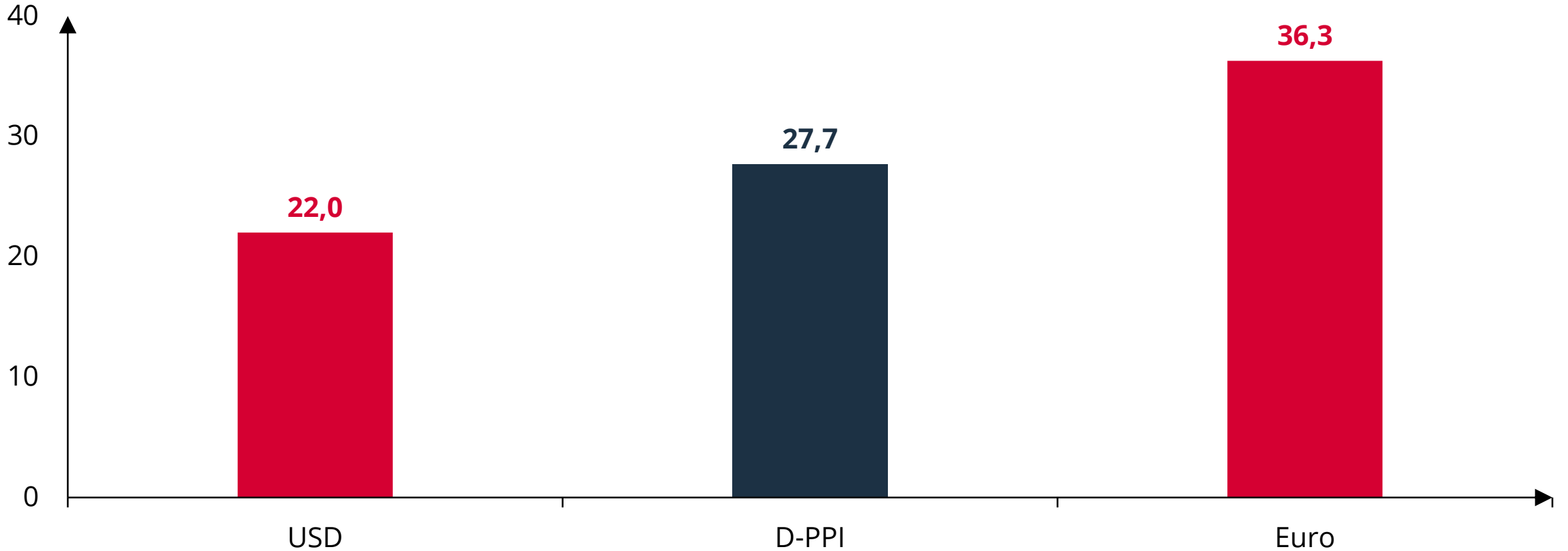


Euro Area's Goods Trade (Growth, %)



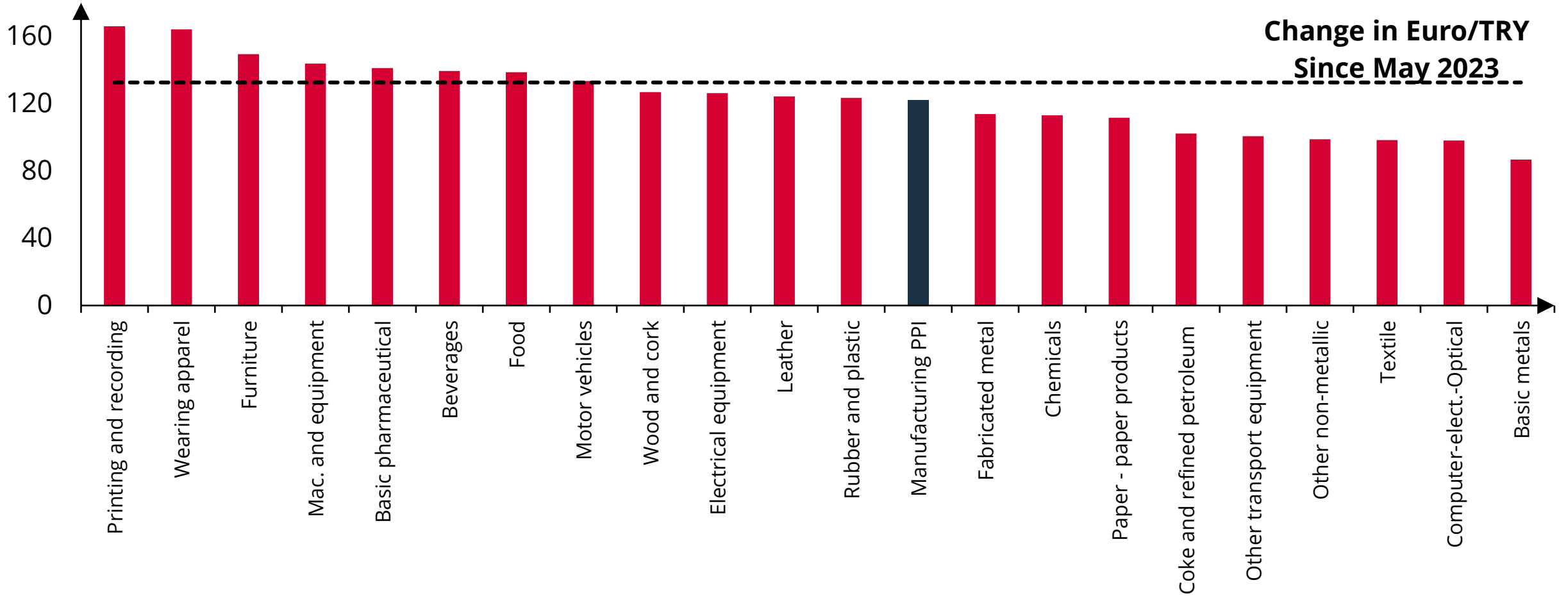
Costs have declined in euro terms.

Domestic PPI and Exchange Rate* (December 2025, Annual % Change)



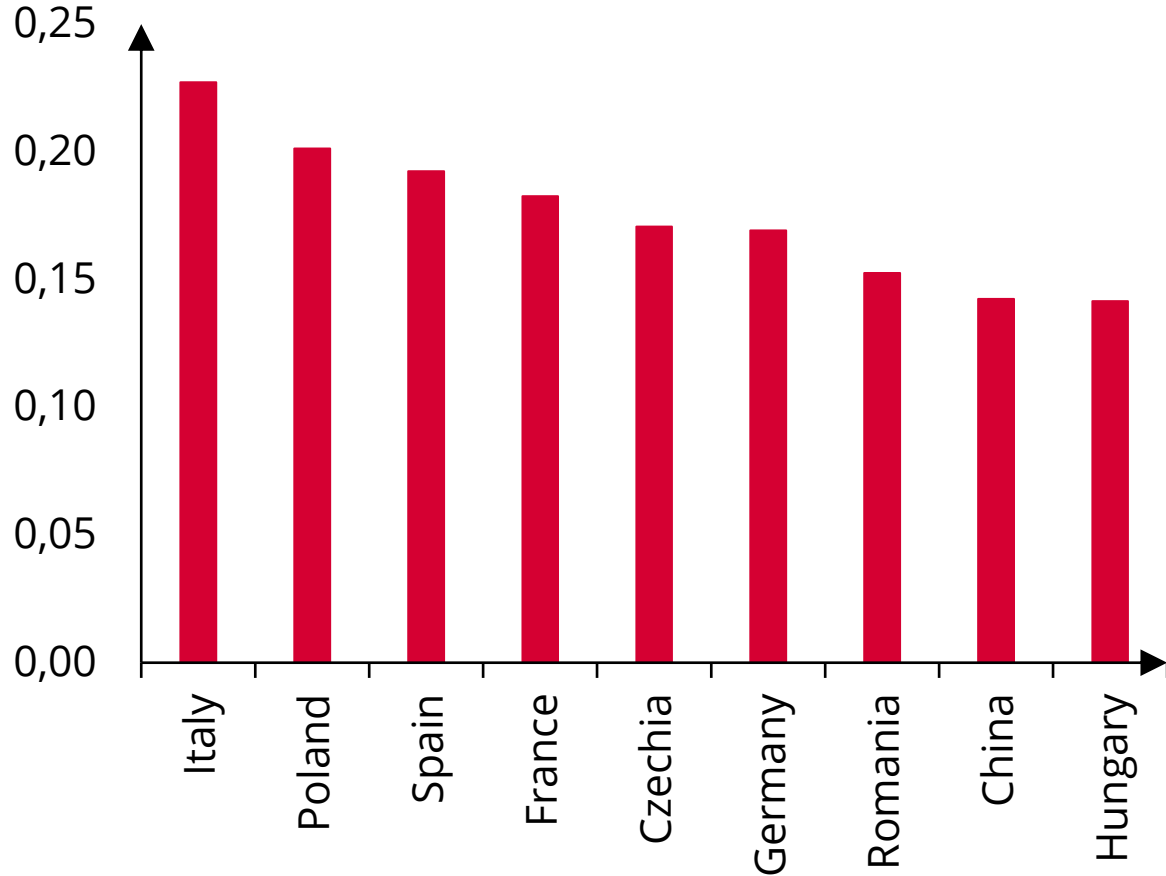
Cost developments vary due to sector-specific factors.

Manufacturing PPI and Subsectors (% Change over May 2023-December 2025)

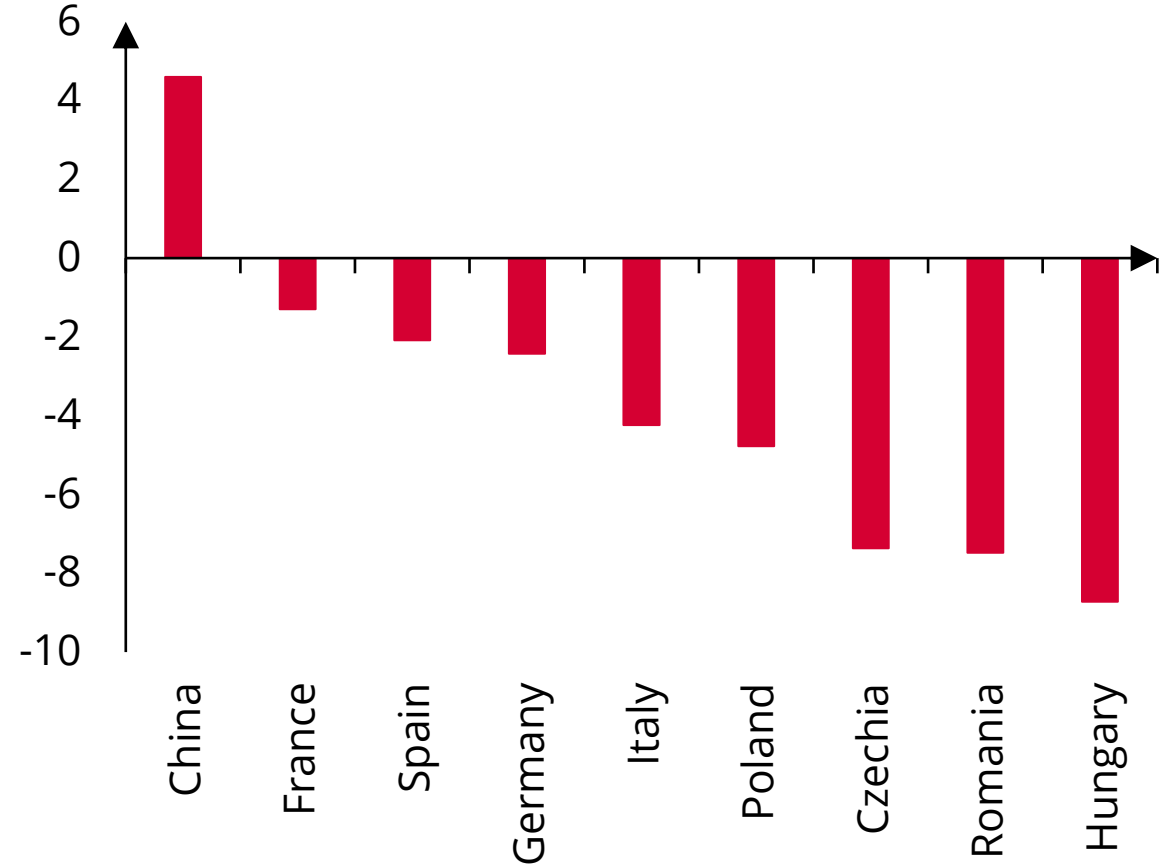


Real FX rates appreciated slightly against China, but depreciated against other competitors.

Export Similarity Index (Product-Country)



Real FX Rates Based on PPI by Countries (Annual Change)



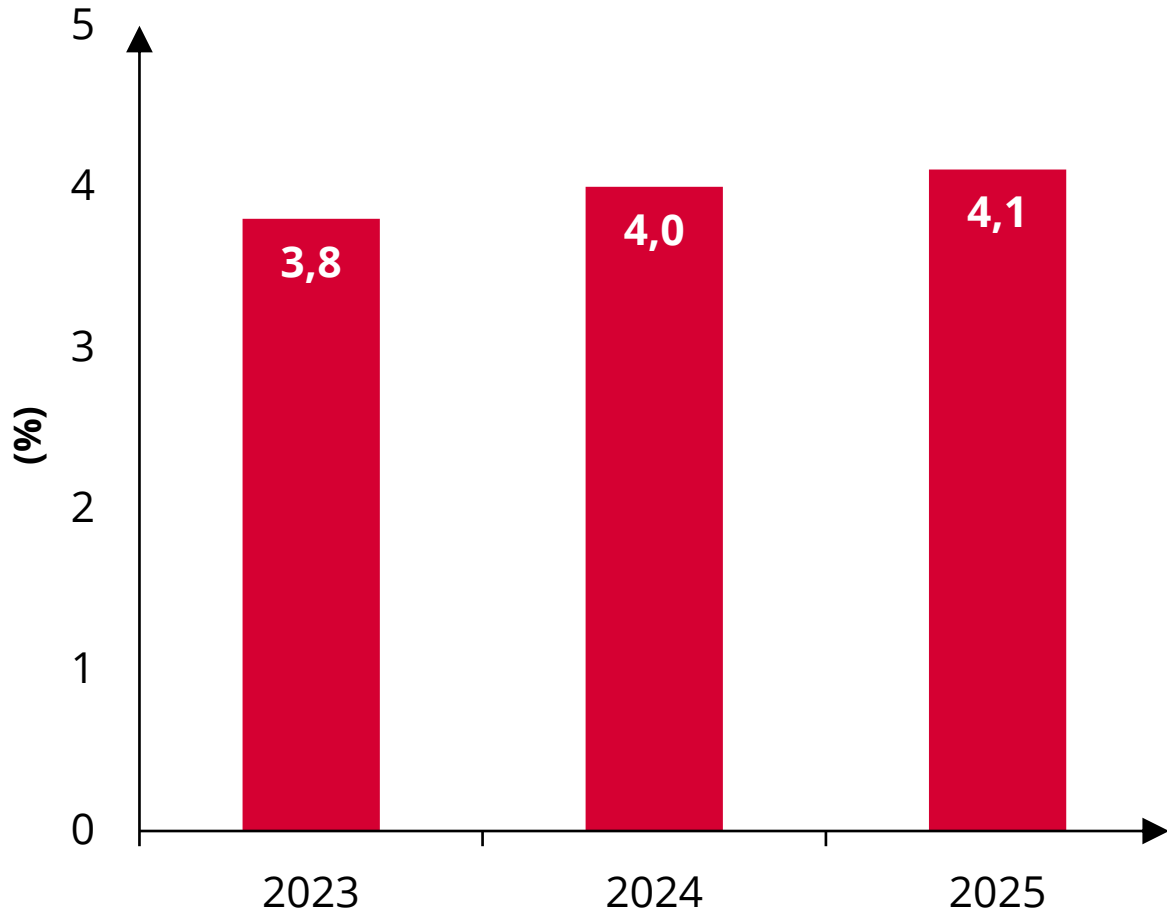
Left Chart: Source: UN Comtrade, CBRT. Right Chart: Sources: CBRT, Eurostat, TURKSTAT, National Bureau of Statistics of China, as of November 2025.

Note: Among countries with the highest export similarity index with Türkiye on a market (product-country) basis, those with exports over \$100 billion in 2023 have been included in the study. The export similarity index is calculated using the formula below, which sums the smaller shares of product-country pairs in the total exports of the two countries compared. In the equation, i and j represent the exporting countries, and k represents the product-country pair that the goods are exported.

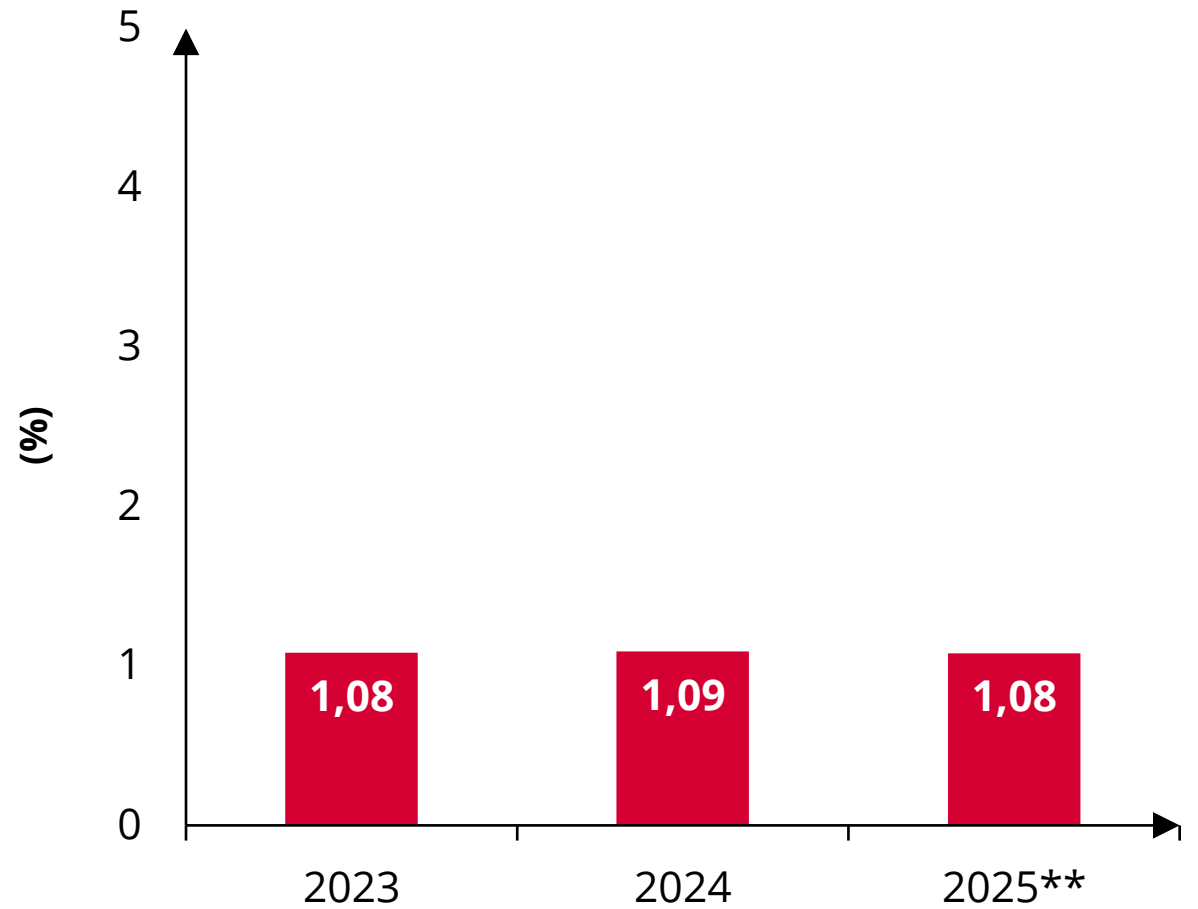
$$Similarity_{ij} = \sum \min\left(\frac{x_i^k}{x_i}, \frac{x_j^k}{x_j}\right)$$

Our market share has increased in Europe while remaining stable in global exports.

Türkiye's Share in the EU's Goods Imports*



Türkiye's Share in Global Goods Exports



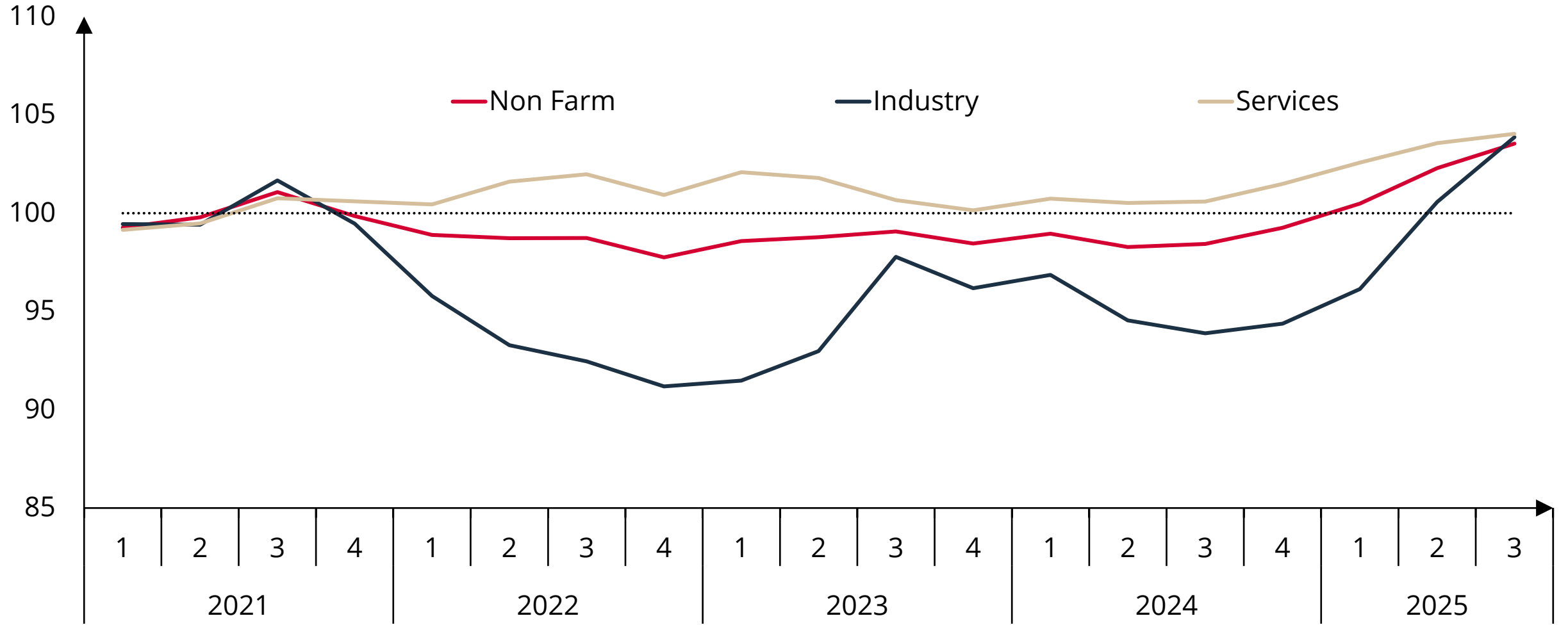
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Why is price stability important?

- Predictability
- Improvement in investment environment
- Productivity gains

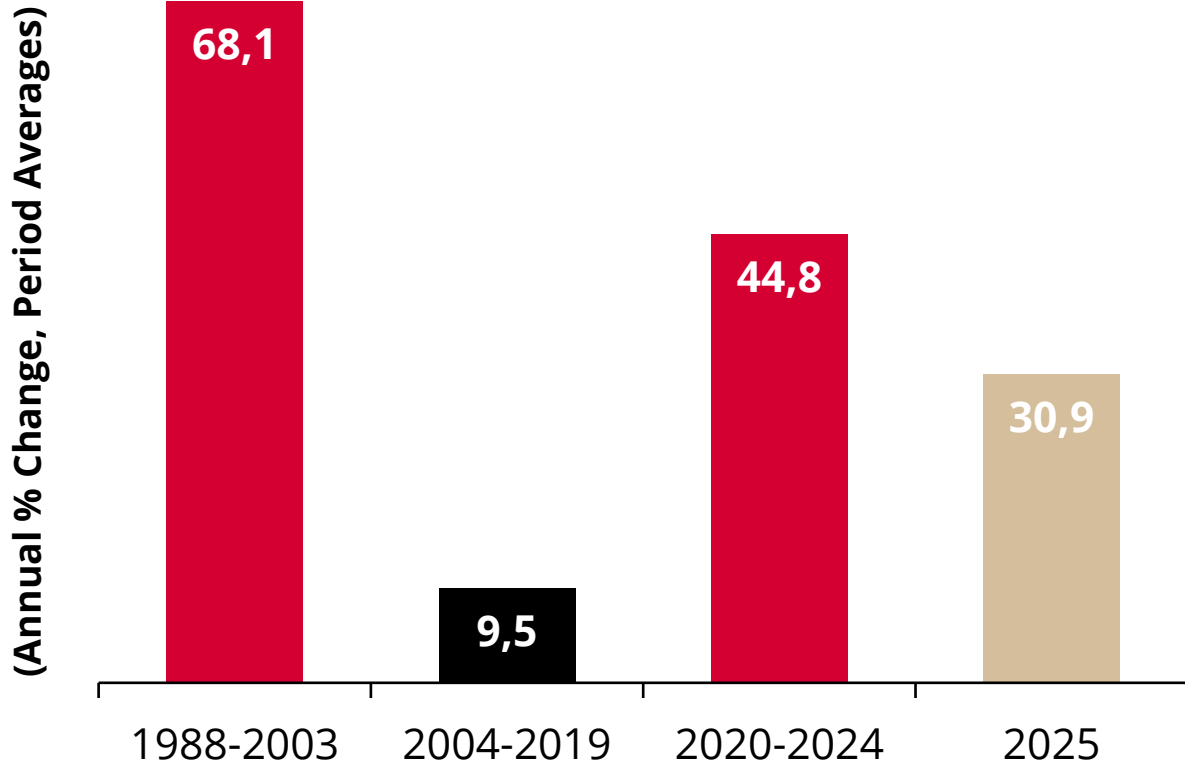
Labor productivity is increasing.

Output per Worker* (Seasonally Adjusted, 2021=100)

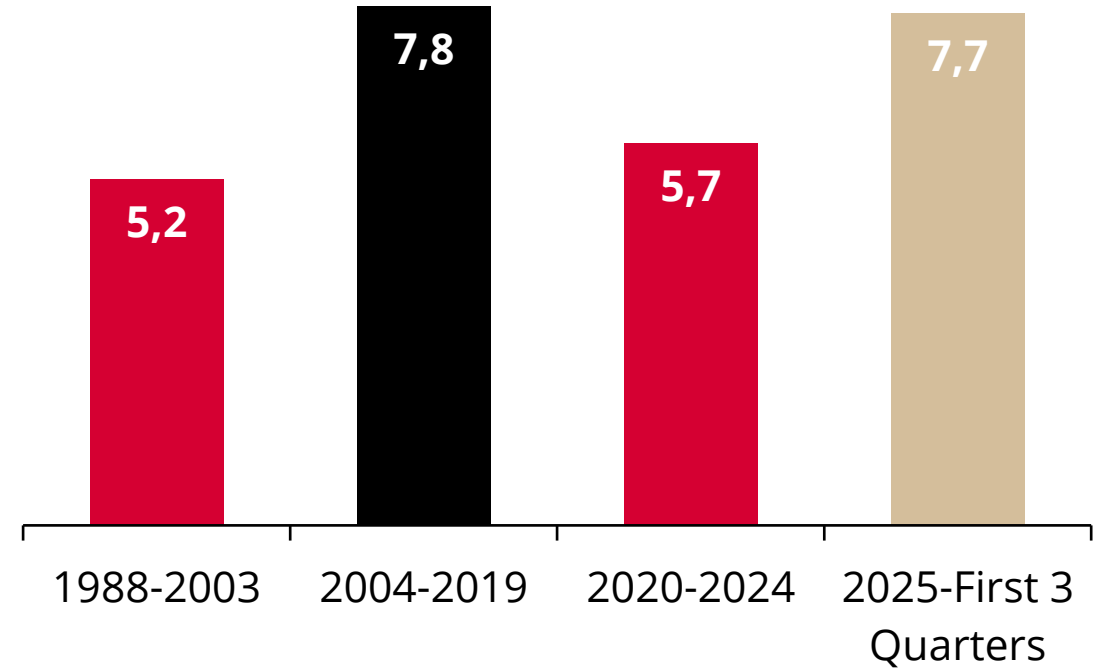


Price stability improves the investment and production environment.

Inflation

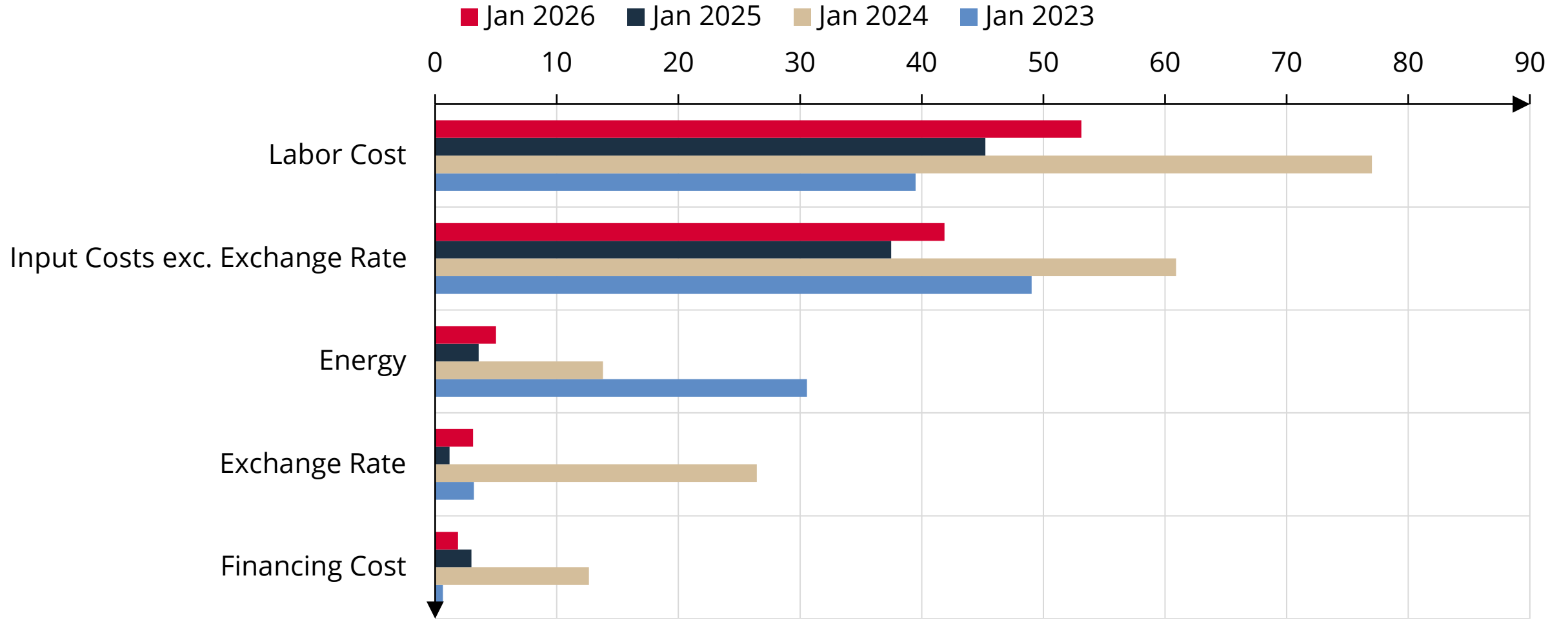


Growth of Investment



Low inflation will reduce costs for the real sector.

Factors of the Cost Increase* (Rate of Firms %)



Conclusions

- The tight monetary policy stance, which will be maintained until price stability is achieved, will strengthen the disinflation process through demand, exchange rate, and expectation channels.
- The Committee will determine the policy rate by taking into account realized and expected inflation and its underlying trend in a way to ensure the tightness required by the projected disinflation path in line with the interim targets.
- The step size is reviewed prudently on a meeting-by-meeting basis with a focus on the inflation outlook.
- Monetary policy stance will be tightened in case of a significant deviation in inflation outlook from the interim targets.



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